



**Presentation to the
Senate Select Committee on Workers' Compensation**
February 26, 2004

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Director of Risk Management

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**The Texas A&M University System
Office of Risk Management and Safety**

Operations Overview

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Office of Risk Management and Safety

The Office of Risk Management and Safety (ORMS) is a service unit within the System Administrative and General Offices of The Texas A&M University System. ORMS provides consultation and service to components in three primary areas: **1) workers compensation, 2) risk transfer, and 3) environmental health and safety.** ORMS activities facilitate members' efforts to:

- Provide healthy environments and engage in safe work practices
- Comply with applicable state and federal environmental laws
- Identify and implement strategies and processes to reduce risks and financial losses
- Adjust and investigate incidences which result in claims

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Member Institutions of The Texas A&M University System

Texas A&M University
Tarleton State University
Prairie View A&M University
Texas A&M University Galveston
Texas A&M University Corpus Christi
Texas A&M University Kingsville
Texas A&M International University
West Texas A&M University
Texas A&M University Commerce
Texas A&M University Texarkana

Texas Agricultural Experiment Station
Texas Cooperative Extension
Texas Engineering Experiment Station
Texas Engineering Extension Service
Texas Forest Service
Texas Transportation Institute
Texas Veterinary Diagnostic Laboratory

The Texas A&M University System Health
Science Center

System Administrative and General Offices

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Workplace Safety Initiatives

- Over the past two years, the ORMS has provided training to the safety officers of the respective members of the A&M System to reduce risk in the following areas:
 - Spill Prevention Control and Countermeasures Plan (SPCC)
 - Ergonomics Training (Dr. Gordon Vos, CPE)
 - Practical Solutions for Handling Mold in Buildings (Dr. Mani Skaria)
 - Fire Training (TEEX)
 - Laboratory Safety (Laboratory Safety Institute)
- The A&M System has offered conferences and workshops geared toward prevention of injuries and illnesses in the workplace.

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Risk Management and Safety Council

- The Texas A&M University System's Risk Management and Safety Council was established to develop and recommend Risk Management and Environmental Health and Safety standards to be followed by A&M System members; provide a forum for the exchange of ideas and information; and, develop and conduct professional training opportunities.
- Membership consist of a Safety Officer from each of the member institutions plus representation from the ORMS and General Counsel. The Council meets on a quarterly basis to discuss current risk management and safety issues and to develop programs that benefit the system components.

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Risk Transfer

- The ORMS provides risk transfer services both in performing risk assessments, securing commercial coverage, developing self-insured plans, and assisting with claims processing.
- These services are provided in the areas of property, auto, directors and officers insurance, student activities, international activities, and a variety of other areas.

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Risk Transfer

Two programs of note are the Self-insured Property Program and the Self-insured Directors and Officers Plan.

- The property program saved \$700,000 in commercial premiums for fiscal year 2003.
- It is anticipated that the directors and officers plan will save \$200,000 over fiscal year 2004.

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Workers Compensation Insurance Plan

- The Texas A&M University System's self-insured workers compensation plan serves the System's ten (10) academic institutions, eight (8) state agencies, and health science center.
- The Plan serves 54,000 employees located throughout the state in Fiscal Year 2003.

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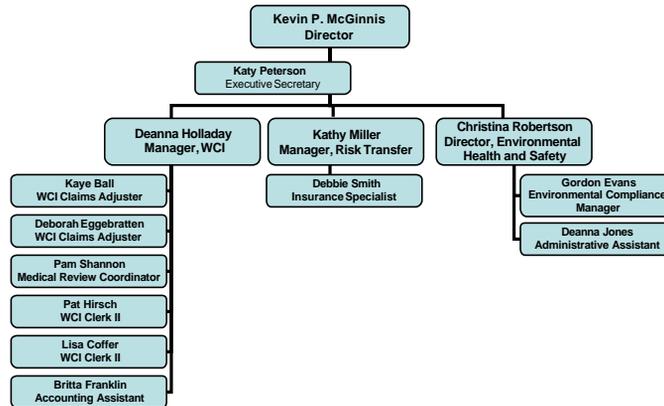
Workers Compensation Insurance Plan

- The Plan is administered internally through the Office of Risk Management.
- Staff consists of the Director, four licensed adjusters, and various support staff.
- It is a **fully funded plan** with reserves determined by an annual actuarial study.

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The Texas A&M University System Department of Risk Management and Safety



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Claim Review Procedures

- Internal Adjuster monitors all aspects of each claim.
- Utilization Review performs bill audits, reconsiderations, and assists the System with all medical claims.
- Utilize PPO to take further advantage of strategic pricing relationships.

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Workplace Injuries

- Integrated approach to controlling frequency and cost of workplace injuries:
 - Employee
 - Components
 - Risk Management Safety Council
 - Case Management

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WCI Resource Allocation Program

- The goal of the Resource Allocation Program is to maintain a safe physical work environment, reduce employee accidents/injuries and the overall frequency and severity of workers compensation insurance claims.
- Resources are made available to enable members of The A&M System to fund health and safety initiatives.
- Funding for the program is from the workers compensation insurance reserve and determined after the annual actuarial study.

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The Texas A&M University System Workers Compensation Plan Financial Information

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Assessments

- The Texas A&M University System utilizes an experience based assessment:
 - Maximum \$.50/\$100 of Payroll
 - Minimum \$.35/\$100 of Payroll
 - 2004 Average \$.43/\$100 of Payroll
- SORM – other Higher Education
 - 2004 Average \$.62/\$100 of Payroll

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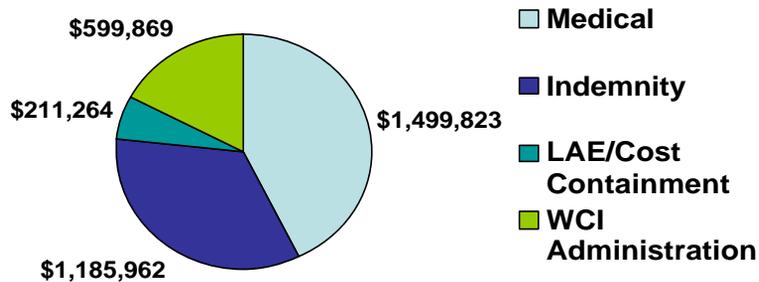
Member Assessments

<u>Member</u>	<u>Assessment/ \$100 Payroll</u>	<u>Member</u>	<u>Assessment/ \$100 Payroll</u>
Texas A&M	\$0.45	Agricultural Experiment Station	\$0.45
Tarleton State	\$0.35	Cooperative Extension Service	\$0.50
Prairie View A&M	\$0.45	Engineering Experiment Station	\$0.35
A&M Galveston	\$0.50	Engineering Extension Service	\$0.50
A&M Corpus Christi	\$0.50	Forest Service	\$0.50
A&M Kingsville	\$0.50	Transportation Institute	\$0.35
A&M International	\$0.35	Veterinary Diagnostic Laboratory	\$0.35
West Texas A&M	\$0.35		
A&M Commerce	\$0.35	Health Science Center	\$0.35
A&M Texarkana	\$0.35	Administrative and General Offices	\$0.35

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FY 2003 WCI Expenditure Categories



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Medical Cost Containment

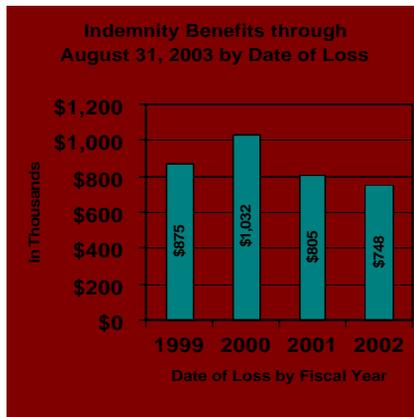
The schedule below illustrates the savings resulting from those bills cut to fee guideline and those cut to fair & reasonable. Excluded from this is those services where payment is denied. Of the savings realized, 49% was due to reducing payment to fee guideline and 51% from paying fair and reasonable.

Fiscal Year	Billed Amount	Paid @ Fee Guideline	Paid @ Fair & Reasonable	Savings
99	\$ 2,046,531.33	\$1,057,118.21	\$ 320,308.71	\$ 669,104.41
00	\$ 2,816,062.04	\$1,277,453.18	\$ 502,929.06	\$ 1,035,679.80
01	\$ 2,922,932.54	\$1,545,912.64	\$ 362,281.89	\$ 1,014,738.01
02	\$ 2,068,183.09	\$ 966,653.86	\$ 367,209.33	\$ 734,319.90
03	\$ 1,696,033.77	\$ 575,900.11	\$ 321,500.87	\$ 798,632.79
Totals	\$ 11,549,742.77	\$5,423,038.00	\$ 1,874,229.86	\$ 4,252,474.91

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WCI Indemnity Benefits



The bar chart shows the “aging” of the claims that received indemnity benefits. For instance, for all claims occurring in Fiscal Year 1999, \$840,000 was paid in indemnity benefits through August 31, 2003. The increase in benefits for FY 2000 was primarily the result of two death claims, with indemnity benefits paid in excess of \$150,000 through August 31, 2003. Typically 10% of the total claims have resulted in indemnity benefit payments as shown on the following slide.

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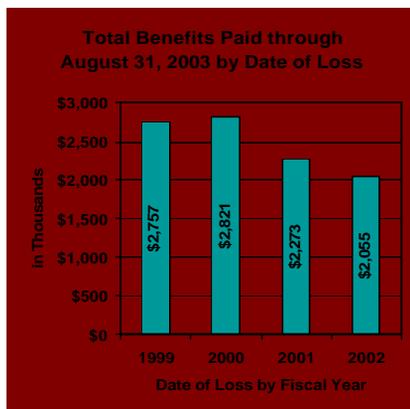
Indemnity Benefits Paid Through August 31, 2003

Claim Year	Total Claims	Indemnity Claims	% of Claims	Indemnity Payments	Average per Claim
1999	1143	127	11%	\$ 874,476	\$ 6,886
2000	1188	117	10%	\$1,031,878	\$ 8,819
2001	1214	128	11%	\$ 804,660	\$ 6,286
2002	1215	133	11%	\$ 747,646	\$ 5,621

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WCI Total Benefits



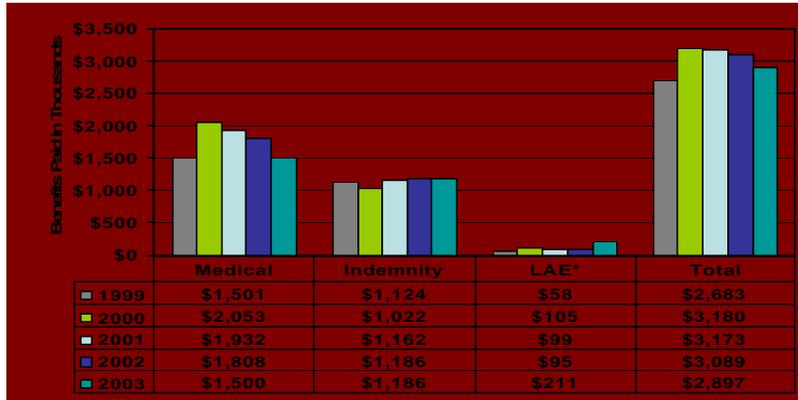
The bar chart shows the “aging” of the total benefits paid on claims. For instance, for all claims occurring in Fiscal Year 1999, \$2,757,000 was paid in benefits through August 31, 2003. As noted on the previous slide, the increase in Fiscal Year 2000 was due to a death claim that resulted in substantial medical and indemnity cost.

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Workers Compensation Benefits

The total benefits paid annually for all claims has been decreased over the previous four years. This is due in part to a decrease in workplace injuries and to increased medical cost containment. In FY 2000, \$3.2 million was paid in benefits compared to \$2.8 million in FY 2003.



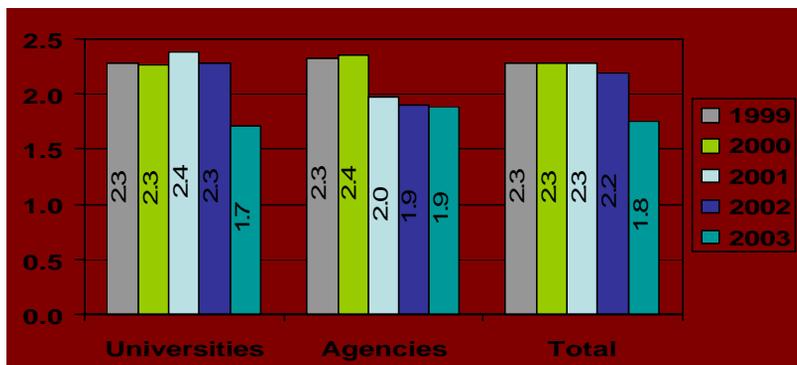
*Loss Associated Expense

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Claims per 100 Employees

Claims per hundred employees is one measure of the success of workplace safety initiatives. Through the efforts of the Risk Management and Safety Council and the System members, workplace injuries were decreased in 2003 for the entire A&M System.

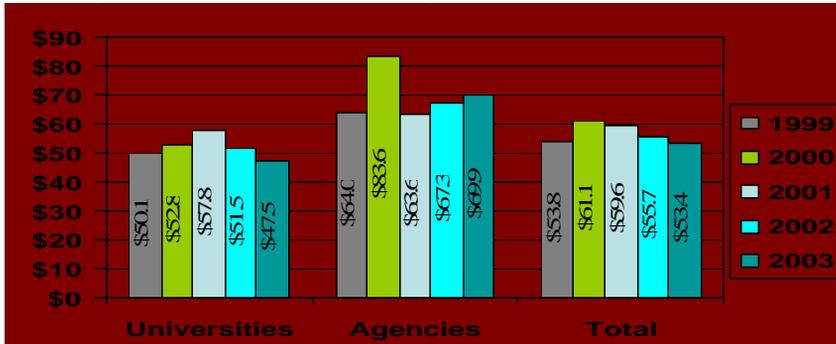


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Benefits Paid per Covered Employee

One of the measures utilized to gauge the effectiveness of a workers compensation program is "benefits paid per covered employee". The two factors that will affect this number the most are: 1) the number of workplace injuries, and 2) the effectiveness of cost control methods once an injury has occurred. The A&M System has achieved a decrease in benefits paid over the last five years to \$53 per covered employee.



SORM Average: \$372

SORM Higher Education Average: \$144

Source: State Office of Risk Management 2004 Annual Report

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Workers Compensation Insurance Summary Data Fiscal Years 1999-2003

<u>YEAR</u>	<u># of CLAIMS</u>	<u>MEDICAL</u>	<u>INDEMNITY</u>	<u>LAE</u>	<u>TOTAL EXPENSE</u>
1999	1,143	\$ 1,501,165	\$ 1,123,667	\$ 58,285	\$ 2,683,117
2000	1,188	\$ 2,053,313	\$ 1,022,311	\$ 105,181	\$ 3,180,804
2001	1,218	\$ 1,912,177	\$ 1,161,460	\$ 99,016	\$ 3,172,653
2002	1,215	\$ 1,807,985	\$ 1,186,347	\$ 94,864	\$ 3,089,196
2003	956	\$ 1,499,823	\$ 1,185,962	\$ 211,264	\$ 2,897,049

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Health Care Network Advisory Committee

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Network Concerns

The main concerns in regard to the regional health care networks center around the current proposal being an “optional” network and that the baseline data quoted in the feasibility study is not reflective of the experiences of The A&M System. The Feasibility Study states that costs are “driven by increased utilization of services not having a demonstrable effect on outcomes and leading to significantly higher costs”. The option inherent in this network would imply that those who would over utilize the system can still have a process around the network.

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Network Concerns

By properly adjusting claims The A&M System has, and will continue, to decrease utilization rates. The feasibility study states that the average medical cost per claim in the State of Texas is \$5,629. The A&M System's medical cost per claim averaged \$1,535 over the past five years.

Although the medical cost referenced above was included in the report, the criteria measuring the feasibility of regional networks **did not include any financial analysis.**

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Network Concerns

It has been our goal to work with HNAC to ensure that the regional networks enhance the process and lead to cost savings.

During the 78th Legislative Session, legislation was filed (SB 1576 and HB 3589) but did not pass that would have amended the HNAC statute to allow local control of the network(s) and would have allowed a contract with a network of health care providers instead of the full service network currently required. This legislation would have enabled The A&M System to continue adjusting claims in a proactive manner and allow the employee the same incentives as exist in the current feasibility study.

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Network Concerns

The A&M System is committed to the success of regional networks that were created in accordance with HB2600. Integral to that success is designing networks that will serve both the employees and the State of Texas, providing necessary medical care at reasonable pricing. All input to HNAC is intended to provide them additional information from the users who will make up the pilot program in order to add to the financial and operational success of the regional networks.